

# Tourism Expenditure and Economic Growth

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**Abstract:** *This paper empirically examines the impact of tourism expenditure on the long-run economic growth of Turkey by using Autoregressive Distributed Lag (ARDL) approach and the Hatemi Causality test to investigate causality for 2003:1 to 2012:1. The paper uses new data set tourism expenditure in line with educational level- that has not previously been used to estimate tourism expenditure on economic growth. The results of the bounds test show that there is a stable long-run relationship between each of the tourism expenditure and economic growth. The results of the causality test, on the other hand, show that there is bidirectional causality between university graduate tourists' expenditure and economic growth and a causal flow from high school tourism expenditure to GDP growth which is verified growth-led tourism hypothesis. Results reveal that university and post graduate degree with tourists' expenditure is more successful on explaining the long-run relationship between tourism expenditure and economic growth in Turkey. This result implies a policy that, although Turkey need to focus more on tourism development for all level of education to reach higher real income levels; policy makers should concentrate on attracting the attention of university graduate tourist to gain more from tourism industry.*

**Keywords:** *Tourism expenditure, GDP growth, Educational level, Turkey.*